



LIFE

A Comparison: Term and Permanent Life Insurance

The following points can help you determine if term or permanent life insurance best suits your needs.

Term Life Insurance

Advantages

- Initial premiums generally are lower than those for permanent insurance, allowing you to buy higher levels of coverage at a younger age when the need for protection often is greatest.
- It's good for covering needs that will disappear in time, such as mortgages or car loans.

Disadvantages

- Premiums increase as you grow older.
- Coverage terminates at the end of the term
- Renewal may be too expensive or you may no longer qualify.
- There are no cash values.

Permanent Life Insurance

Advantages

- As long as the premiums are paid, protection is guaranteed for life.
- Depending on the policy, premium costs can be fixed or flexible to meet personal financial needs.
- The policy accumulates a cash value against which you can borrow (loans must be paid back with interest or your beneficiaries will receive a reduced death benefit). You can also borrow against the policy's cash value to pay premiums.
- The policy's cash value can be surrendered, in total or in part, for cash or converted into an annuity (an insurance product that provides an income for a person's lifetime or a specific period).
- A provision or rider can be added to a policy that gives you the option to purchase additional insurance without taking a medical exam or having to furnish evidence of insurability.
- Other options, such as reduced paid-up insurance or extended term insurance, are also available.

Disadvantages

- Required premium levels may make it hard to buy the amount of protection needed.

LIFE, the Life and Health Insurance Foundation for Education, is a nonprofit organization dedicated to educating consumers about the essential role of insurance within a sound financial plan. For more information about insurance, visit LIFE's Web site at www.life-line.org, or call 1-888-LIFE-777 for a free brochure.